

ANNUAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

PHYSICIANS HEALTH PLAN OF MID-MICHIGAN FAMILYCARE

NAIC Group Code 3408, 3408 NAIC Company Code 11537 Employer's ID Number 36-4497604  
(Current Period) (Prior Period)

Organized under the Laws of Michigan, State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as business type:

Life, Accident and Health [ ] Property/Casualty [ ] Hospital, Medical and Dental Service or Indemnity [ ]  
Dental Service Corporation [ ] Vision Service Corporation [ ] Other [ ]  
Health Maintenance Organization [ X] Is HMO Federally Qualified? Yes ( ) No (X)

Incorporated/Organized May 23, 2002 Commenced Business January 1, 2003

Statutory Home Office 1400 East Michigan Avenue, Lansing, Michigan 48912  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1400 East Michigan Avenue, Lansing, Michigan 48912 517-364-8400  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1400 East Michigan Avenue, Lansing, Michigan 48912  
(Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1400 East Michigan Avenue, Lansing, Michigan 48912  
(Street and Number, City or Town, State and Zip Code)  
517-364-8400  
(Area Code) (Telephone Number)

Internet Website Address www.phpmm.org

Statutory Statement Contact Jackie Eddy 517-364-8400  
(Name) (Area Code) (Telephone Number) (Extension)  
jackie.eddy@phpmm.org 517-364-8407  
(E-Mail Address) (Fax Number)

OFFICERS  
Scott Wilkerson (President)  
Randolph Rifkin (Secretary)  
David Vis (Assistant Secretary)  
OTHER OFFICERS

DIRECTORS OR TRUSTEES  
Marylee Davis, PhD  
Jeannie Hudson  
Scott Wilkerson

State of Michigan }  
County of Ingham } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Scott Wilkerson Randolph Rifkin David Vis  
President Secretary Assistant Secretary

Subscribed and sworn to before me this  
27th day of February, 2009

a. Is this an original filing? Yes (X) No ( )

b. If no: 1. State the amendment number  
2. Date filed  
3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1  Assets	2  Nonadmitted Assets	3 Net Admitted Assets (Column 1 minus Column 2)	4  Net Admitted Assets
1. Bonds (Schedule D) .....				
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....	3,964,436		3,964,436	4,159,533
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....				
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ ..... (904,321), Schedule E - Part 1), cash equivalents (\$ ....., Schedule E - Part 2) and short-term investments (\$ ..... 7,440,029, Schedule DA) .....	6,535,708		6,535,708	8,769,605
6. Contract loans (including \$ ..... premium notes) .....				
7. Other invested assets (Schedule BA) .....				
8. Receivables for securities .....				
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Line 1 through Line 9) .....	10,500,144		10,500,144	12,929,138
11. Title plants less \$ ..... charged off (for Title insurers only) .....				
12. Investment income due and accrued .....	2,448		2,448	31,738
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	196,194		196,194	63,840
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....				
13.3 Accrued retrospective premiums .....				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	21,502		21,502	
14.2 Funds held by or deposited with reinsured companies .....				
14.3 Other amounts receivable under reinsurance contracts .....				
15. Amounts receivable relating to uninsured plans .....				
16.1 Current federal and foreign income tax recoverable and interest thereon .....				
16.2 Net deferred tax asset .....				
17. Guaranty funds receivable or on deposit .....				
18. Electronic data processing equipment and software .....				
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....				
20. Net adjustment in assets and liabilities due to foreign exchange rates .....				
21. Receivables from parent, subsidiaries and affiliates .....				2,997,593
22. Health care (\$ ..... 612,506 ) and other amounts receivable .....	936,382	293,876	642,506	453,241
23. Aggregate write-ins for other than invested assets .....				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23) .....	11,656,670	293,876	11,362,794	16,475,550
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26. Total (Line 24 and Line 25) .....	11,656,670	293,876	11,362,794	16,475,550
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) .....				
2301. ....				
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....				

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ ..... reinsurance ceded) .....	3,972,746		3,972,746	5,196,262
2. Accrued medical incentive pool and bonus amounts .....	185,286		185,286	202,968
3. Unpaid claims adjustment expenses .....	96,593		96,593	234,523
4. Aggregate health policy reserves .....				
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	227,402		227,402	
9. General expenses due or accrued .....	276,352		276,352	670,972
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	738,197		738,197	3,524,519
16. Payable for securities .....				
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....				
18. Reinsurance in unauthorized companies .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Liability for amounts held under uninsured plans .....				
21. Aggregate write-ins for other liabilities (including \$ ..... current) .....				
22. Total liabilities (Line 1 to Line 21) .....	5,496,576		5,496,576	9,829,244
23. Aggregate write-ins for special surplus funds .....	X X X	X X X		
24. Common capital stock .....	X X X	X X X		
25. Preferred capital stock .....	X X X	X X X		
26. Gross paid in and contributed surplus .....	X X X	X X X		
27. Surplus notes .....	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29. Unassigned funds (surplus) .....	X X X	X X X	5,866,218	6,646,306
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... ) .....	X X X	X X X		
30.2 ..... shares preferred (value included in Line 25 \$ ..... ) .....	X X X	X X X		
31. Total capital and surplus (Line 23 to Line 29 minus Line 30) .....	X X X	X X X	5,866,218	6,646,306
32. Total liabilities, capital and surplus (Line 22 and Line 31) .....	X X X	X X X	11,362,794	16,475,550
DETAILS OF WRITE-INS				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above) .....				
2301. ....	X X X	X X X		
2302. ....	X X X	X X X		
2303. ....	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....	X X X	X X X		
2801. ....	X X X	X X X		
2802. ....	X X X	X X X		
2803. ....	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899. Totals (Line 2801 through Line 2803 plus Line 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	197,318	200,397
2. Net premium income (including \$ non-health premium income)	X X X	46,313,585	41,976,927
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	(2,592,371)	(2,629,146)
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X	43,721,214	39,347,781
Hospital and Medical:			
9. Hospital/medical benefits		24,699,556	23,024,579
10. Other professional services		3,011,075	2,700,047
11. Outside referrals			
12. Emergency room and out-of-area		4,987,236	2,734,803
13. Prescription drugs		6,473,223	6,367,877
14. Aggregate write-ins for other hospital and medical		279,250	372,740
15. Incentive pool, withhold adjustments, and bonus amounts		215,442	260,334
16. Subtotal (Line 9 to Line 15)		39,665,782	35,460,380
Less:			
17. Net reinsurance recoveries		21,502	
18. Total hospital and medical (Line 16 minus Line 17)		39,644,280	35,460,380
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 750,287 cost containment expenses		1,103,364	1,004,490
21. General administrative expenses		3,156,728	2,873,851
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		43,904,372	39,338,721
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	(183,158)	9,060
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		112,827	519,508
26. Net realized capital gains (losses) less capital gains tax of \$		54,213	15,346
27. Net investment gains (losses) (Line 25 plus Line 26)		167,040	534,854
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ) (amount charged off \$ )]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	(16,118)	543,914
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Line 30 minus Line 31)	X X X	(16,118)	543,914
DETAILS OF WRITE-INS			
0601. QAAP TAX	X X X	(2,592,371)	(2,629,146)
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X	(2,592,371)	(2,629,146)
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401. OTHER MEDICAL		279,250	372,740
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		279,250	372,740
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year	Prior Year
33. Capital and surplus prior reporting year .....	6,646,306	6,104,421
34. Net income or (loss) from Line 32 .....	(16,118)	543,914
35. Change in valuation basis of aggregate policy and claims reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	(484,269)	12,147
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....		
39. Change in nonadmitted assets .....	(279,700)	(14,176)
40. Change in unauthorized reinsurance .....		
41. Change in treasury stock .....		
42. Change in surplus notes .....		
43. Cumulative effect of changes in accounting principles .....		
44. Capital Changes:		
44.1 Paid in .....		
44.2 Transferred from surplus (Stock Dividend) .....		
44.3 Transferred to surplus .....		
45. Surplus adjustments:		
45.1 Paid in .....		
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Tranferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....		
48. Net change in capital and surplus (Line 34 to Line 47) .....	(780,087)	541,885
49. Capital and surplus end of reporting year (Line 33 plus Line 48) .....	5,866,219	6,646,306
DETAILS OF WRITE-INS		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above) .....		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	46,408,630	42,057,865
2. Net investment income	142,117	520,668
3. Miscellaneous income	(2,361,624)	(2,629,146)
4. Total (Line 1 through Line 3)	44,189,123	39,949,387
5. Benefit and loss related payments	41,606,692	35,425,390
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,792,642	3,327,447
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		
10. Total (Line 5 through Line 9)	46,399,334	38,752,837
11. Net cash from operations (Line 4 minus Line 10)	(2,210,211)	1,196,550
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks	3,474	3,208
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds	54,485	15,442
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	57,959	18,650
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks	257,917	253,897
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	35,000	
13.7 Total investments acquired (Line 13.1 through Line 13.6)	292,917	253,897
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(234,958)	(235,247)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	211,271	(559,020)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	211,271	(559,020)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(2,233,898)	402,283
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	8,769,606	8,367,323
19.2 End of year (Line 18 plus Line 19.1)	6,535,708	8,769,606
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		
20.0002		
20.0003		
20.0004		
20.0005		
20.0006		
20.0007		
20.0008		
20.0009		
20.0010		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	46,313,585							46,313,585		
2. Change in unearned premium reserves and reserve for rate credit .....										
3. Fee-for-service (net of \$ ..... medical expenses) .....										XXX
4. Risk revenue .....										XXX
5. Aggregate write-ins for other health care related revenues .....	(2,592,371)							(2,592,371)		XXX
6. Aggregate write-ins for other non-health care related revenues .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. Total revenues (Line 1 through Line 6) .....	43,721,214							43,721,214		
8. Hospital/ medical benefits .....	24,699,556							24,699,556		XXX
9. Other professional services .....	3,011,075							3,011,075		XXX
10. Outside referrals .....										XXX
11. Emergency room and out-of-area .....	4,987,236							4,987,236		XXX
12. Prescription drugs .....	6,473,223							6,473,223		XXX
13. Aggregate write-ins for other hospital and medical .....	279,250							279,250		XXX
14. Incentive pool, withhold adjustments, and bonus amounts .....	215,442							215,442		XXX
15. Subtotal (Line 8 through Line 14) .....	39,665,782							39,665,782		XXX
16. Net reinsurance recoveries .....	21,502							21,502		XXX
17. Total hospital and medical (Line 15 minus Line 16) .....	39,644,280							39,644,280		XXX
18. Non-health claims (net) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ ..... 750,287 cost containment expenses .....	1,103,364							1,103,364		
20. General administrative expenses .....	3,156,728							3,156,728		
21. Increase in reserves for accident and health contracts .....										XXX
22. Increase in reserves for life contracts .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Line 17 through Line 22) .....	43,904,372							43,904,372		
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	(183,158)							(183,158)		
DETAILS OF WRITE-INS .....										
0501. QAAP TAX .....	(2,592,371)							(2,592,371)		XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....										XXX
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) .....	(2,592,371)							(2,592,371)		XXX
0601. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. Total (Line 0601 through Line 0603 plus Line 0698) (Line 6 above) .....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301. OTHER MEDICAL .....	279,250							279,250		XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....										XXX
1399. Total (Line 1301 through Line 1303 plus Line 1398) (Line 13 above) .....	279,250							279,250		XXX

UNDERWRITING AND INVESTMENT EXHIBIT  
Part 1 - Premiums

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (hospital and medical) .....				
2. Medicare Supplement .....				
3. Dental only .....				
4. Vision only .....				
5. Federal Employees Health Benefits Plan .....				
6. Title XVIII - Medicare .....				
7. Title XIX - Medicaid .....	46,548,611		235,026	46,313,585
8. Other health .....				
9. Health subtotal (Line 1 through Line 8) .....	46,548,611		235,026	46,313,585
10. Life .....				
11. Property/casualty .....				
12. Totals (Line 9 to Line 11) .....	46,548,611		235,026	46,313,585



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	40,705,497							40,705,497		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	40,705,497							40,705,497		
2. Paid medical incentive pools and bonuses	216,362							216,362		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	3,972,746							3,972,746		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	3,972,746							3,972,746		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	185,286							185,286		
6. Net healthcare receivables (a)	31,642							31,642		
7. Amounts recoverable from reinsurers December 31, current year	21,502							21,502		
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	5,196,262							5,196,262		
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	5,196,262							5,196,262		
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	216,362							216,362		
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	39,450,339							39,450,339		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	21,502							21,502		
12.4 Net	39,428,837							39,428,837		
13. Incurred medical incentive pools and bonuses	185,286							185,286		

(a) Excludes \$ . . . . . loans or advances to providers not yet expensed

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....										
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....										
2. Incurred but Unreported:										
2.1 Direct .....	3,972,746							3,972,746		
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	3,972,746							3,972,746		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....										
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....										
4. TOTALS:										
4.1 Direct .....	3,972,746							3,972,746		
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	3,972,746							3,972,746		

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Column 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....						
2. Medicare Supplement .....						
3. Dental Only .....						
4. Vision Only .....						
5. Federal Employees Health Benefits Plan.....						
6. Title XVIII - Medicare .....						
7. Title XIX - Medicaid .....	4,626,254	36,768,684	81,099	3,891,648	4,707,353	5,003,788
8. Other health .....						
9. Health subtotal (Line 1 through Line 8) .....	4,626,254	36,768,684	81,099	3,891,648	4,707,353	5,003,788
10. Healthcare receivables (a) .....		905,803				14,176
11. Other non-health .....						
12. Medical incentive pools and bonus amounts .....	216,362		6,548	178,738	222,910	229,638
13. Totals (Line 9 minus Line 10 plus Line 11 plus Line 12).....	4,842,616	35,862,881	87,647	4,070,386	4,930,263	5,219,250

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	1,697				
2. 2004 .....	27,163	2,751		(13)	
3. 2005 .....	X X X	27,780	3,836	19	
4. 2006 .....	X X X	X X X	26,130	5,157	63,157
5. 2007 .....	X X X	X X X	X X X	30,854	4,563
6. 2008 .....	X X X	X X X	X X X	X X X	28,661

Section B - Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	31,691	31,707	31,707	31,707	31,707
2. 2004 .....	30,172	30,056	30,056	30,056	30,056
3. 2005 .....	X X X	32,020	32,020	32,020	30,202
4. 2006 .....	X X X	X X X	31,773	31,773	31,773
5. 2007 .....	X X X	X X X	X X X	36,019	36,019
6. 2008 .....	X X X	X X X	X X X	X X X	39,933

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX Medicaid

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2004 .....	35,251	29,904	1,610	5.384	31,514	89.399			31,514	89.399
2. 2005 .....	37,474	31,436	1,195	3.801	32,631	87.076			32,631	87.076
3. 2006 .....	35,740	31,305	1,052	3.360	32,357	90.534			32,357	90.534
4. 2007 .....	41,977	30,854	1,004	3.254	31,858	75.894	80		31,938	76.085
5. 2008 .....	46,314	36,769	1,103	3.000	37,872	81.772	4,078	97	42,047	90.787

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	1,697				
2. 2004 .....	27,163	2,751		(13)	
3. 2005 .....	X X X	27,780	3,836	19	
4. 2006 .....	X X X	X X X	26,130	5,157	63,157
5. 2007 .....	X X X	X X X	X X X	30,854	4,563
6. 2008 .....	X X X	X X X	X X X	X X X	28,661

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	31,691	31,707	31,707	31,707	31,707
2. 2004 .....	30,172	30,056	30,056	30,056	30,056
3. 2005 .....	X X X	32,020	32,020	32,020	30,202
4. 2006 .....	X X X	X X X	31,773	31,773	31,773
5. 2007 .....	X X X	X X X	X X X	36,019	36,019
6. 2008 .....	X X X	X X X	X X X	X X X	39,933

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2004 .....	35,251	29,904	1,610	5.384	31,514	89.399			31,514	89.399
2. 2005 .....	37,474	31,436	1,195	3.801	32,631	87.076			32,631	87.076
3. 2006 .....	35,740	31,305	1,052	3.360	32,357	90.534			32,357	90.534
4. 2007 .....	41,977	30,854	1,001	3.244	31,855	75.887	80		31,935	76.077
5. 2008 .....	46,314	36,769	1,103	3.000	37,872	81.772	4,078	97	42,047	90.787

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves .....									
2. Additional policy reserves (a) .....									
3. Reserve for future contingent benefits .....									
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....									
5. Aggregate write-ins for other policy reserves .....									
6. Totals (gross) .....									
7. Reinsurance ceded .....									
8. Totals (Net) (Page 3, Line 4) .....									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims .....									
10. Reserve for future contingent benefits .....									
11. Aggregate write-ins for other claim reserves .....									
12. Totals (gross) .....									
13. Reinsurance ceded .....									
14. Totals (Net) (Page 3, Line 7) .....									
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....									
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above) .....									
DETAILS OF WRITE-INS									
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....									
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above) .....									

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ ..... for occupancy of own building) .....	44,931	21,144	189,040		255,115
2. Salaries, wages and other benefits .....	252,654	118,896	1,063,006		1,434,556
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....					
4. Legal fees and expenses .....	8,742	4,114	36,781		49,637
5. Certifications and accreditation fees .....	310	146	1,303		1,759
6. Auditing, actuarial and other consulting services .....	44,664	21,018	187,917		253,599
7. Traveling expenses .....					
8. Marketing and advertising .....	33,891	15,949	142,594		192,434
9. Postage, express, and telephone .....	5,122	2,410	21,551		29,083
10. Printing and office supplies .....	11,503	5,413	48,397		65,313
11. Occupancy, depreciation and amortization .....					
12. Equipment .....	45	21	191		257
13. Cost or depreciation of EDP equipment and software .....					
14. Outsourced services including EDP, claims, and other services .....	336,676	158,436	1,416,515		1,911,627
15. Boards, bureaus and association fees .....					
16. Insurance, except on real estate .....					
17. Collection and bank service charges .....	4,929	2,319	20,736		27,984
18. Group service and administration fees .....					
19. Reimbursements by uninsured accident and health plans .....					
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....					
22. Real estate taxes .....					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....					
23.2 State premium taxes .....					
23.3 Regulator authority licenses and fees .....					
23.4 Payroll taxes .....					
23.5 Other (excluding federal income and real estate taxes) .....	2,642	1,243	11,114		14,999
24. Investment expenses not included elsewhere .....				5,649	5,649
25. Aggregate write-ins for expenses .....	4,179	1,967	17,583		23,729
26. Total expenses incurred (Line 1 to Line 25) .....	750,288	353,076	3,156,728	5,649	(a) 4,265,741
27. Less expenses unpaid December 31, current year .....	65,683	30,910	276,352		372,945
28. Add expenses unpaid December 31, prior year .....		234,523	670,972		905,495
29. Amounts receivable relating to uninsured accident and health plans, prior year .....					
30. Amounts receivable relating to uninsured accident and health plans, current year .....					
31. Total expenses paid (Line 26 minus Line 27 plus Line 28 minus Line 29 plus Line 30) .....	684,605	556,689	3,551,348	5,649	4,798,291
DETAILS OF WRITE-INS					
2501. ....	4,179	1,967	17,583		23,729
2502. ....					
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....					
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above) .....	4,179	1,967	17,583		23,729

(a) Includes management fees of \$ ..... to affiliates and \$ ..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a)	
1.1 Bonds exempt from U. S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	200,985	200,985
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 156,398	158,846
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	357,383	359,831
11. Investment expenses		(g) 5,649
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 241,356
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		247,005
17. Net investment income (Line 10 minus Line 16)		112,826
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.	(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.	
(b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued dividends on purchases.	(g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.	(h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.	
(d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.	(i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.	
(e) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Cols. 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds					
1.1 Bonds exempt from U. S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	54,213		54,213	(484,269)	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	54,213		54,213	(484,269)	
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)					



EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			
2. Stocks (Schedule D): .....			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B): .....			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A): .....			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income .....			
4.3 Properties held for sale .....			
5. Cash (Schedule E-Part 1) , cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6. Contract loans .....			
7. Other invested assets (Schedule BA) .....			
8. Receivable for securities .....			
9. Aggregate write-ins for invested assets .....			
10. Subtotals, cash and invested assets (Line 1 to Line 9) .....			
11. Title plants (for Title insurers only) .....			
12. Investment income due and accrued .....			
13. Premiums and considerations: .....			
13.1 Uncollected premiums and agents' balances in the course of collection .....			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3 Accrued retrospective premiums .....			
14. Reinsurance: .....			
14.1 Amounts recoverable from reinsurers. ....			
14.2 Funds held by or deposited with reinsured companies .....			
14.3 Other amounts receivable under reinsurance contracts .....			
15. Amounts receivable relating to uninsured plans .....			
16.1 Current federal and foreign income tax recoverable and interest thereon .....			
16.2 Net deferred tax asset .....			
17. Guaranty funds receivable or on deposit .....			
18. Electronic data processing equipment and software .....			
19. Furniture and equipment , including health care delivery assets .....			
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			
21. Receivable from parent , subsidiaries and affiliates .....			
22. Health care and other amounts receivable .....	293,876	14,176	(279,700)
23. Aggregate write-ins for other than invested assets .....			
24. Total assets excluding Separate Accounts , Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23) .....	293,876	14,176	(279,700)
25. From Separate Accounts , Segregated Accounts and Protected Cell Accounts .....			
26. Total (Line 24 and Line 25) .....	293,876	14,176	(279,700)
DETAILS OF WRITE-INS .....			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....			
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) .....			
2301. ....			
2302. ....			
2303. ....			
2398. Summary of remaining write-ins for Line 23 from overflow page .....			
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....			

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6  Current Year Member Months
	1  Prior Year	2  First Quarter	3  Second Quarter	4  Third Quarter	5  Current Year	
1. Health Maintenance Organizations .....	16,238	16,429	16,491	16,481	16,534	197,318
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....						
7. Total .....	16,238	16,429	16,491	16,481	16,534	197,318
DETAILS OF WRITE-INS						
0601 .....						
0602 .....						
0603 .....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above) .....						

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of Physicians Health Plan of Mid-Michigan – FamilyCare (“PHPMM-FC”) are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial & Insurance Regulation (“OFIR”).

OFIR recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual*, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Michigan.

A reconciliation of PHPMM-FC’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	<u>2008</u>	<u>2007</u>
(1) Net Income, Michigan	\$ (16,118)	\$ 543,914
(2) State Prescribed Practices: None		
(3) State Permitted Practices: None		
(4) Net Income, NAIC SAP	<u>\$ (16,118)</u>	<u>\$ 543,914</u>
(5) Statutory Capital & Surplus, Michigan	\$5,866,218	\$6,646,306
(6) State Prescribed Practices: None		
(7) State Permitted Practices: None		
(8) Statutory Capital & Surplus, NAIC SAP	<u>\$5,866,218</u>	<u>\$6,646,306</u>

B. Use of Estimates

In preparing the financial statements in conformity with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures Manual*, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

1. Short term investments are stated at amortized cost or at market value depending upon the respective investment.

2. Bonds: Not applicable.

3. Common stocks are stated at market value.

4. Preferred stocks: Not applicable.

5. Mortgage loans: Not applicable.

6. Loan-backed securities: Not applicable.

7. Investments in subsidiaries, controlled and affiliated companies: Not applicable.

8. Investments in joint ventures, partnerships and limited liability companies: Not applicable.

9. Derivatives: Not applicable.

10. Premium deficiency reserves: Not applicable.

11. Estimating the liabilities for losses and loss/claim adjustment expenses: Estimates on unpaid losses are based upon the plan’s past experience, individual case estimates and an estimate for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined. Loss/claim adjustment expenses related to claims are accrued based on estimates of expenses to process those claims.

NOTES TO FINANCIAL STATEMENTS

12. Capitalization policy: The Company has not modified its capitalization from the prior period.

13. Pharmaceutical rebate receivable estimates are based upon historical rebate trends, Plan membership and estimates from a third party pharmacy vendor.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

Not applicable.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

- A. Mortgage Loans, including Mezzanine Real Estate Loans Not applicable.
- B. Debt Restructuring Not applicable.
- C. Reverse Mortgages Not applicable.
- D. Loan-backed Securities Not applicable.
- E. Repurchase Agreements Not applicable.
- F. Real Estate Not applicable.
- G. Low-Income Housing Tax Credit (LIHTC) Investments Not applicable.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable.

7. INVESTMENT INCOME

All income due or accrued has been included in the filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPMM-FC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A, B, C, D, E, F, G

PHPMM-FC is solely owned by PHPMM, an HMO organized under the laws of the State of Michigan, and a controlled entity of Sparrow Health System (“SHS”).

PHPMM has a contract with PHN. PHPMM members obtain medical services from PHN.

Substantially all administrative services are provided by PHPMM. PHPMM-FC pays PHPMM certain administrative expenses incurred by PHPMM, which totaled \$4,224,187 in 2008 and \$2,246,057 in 2007.

Amounts due from affiliates are \$0 at 12/31/2008, and \$2,997,593 at 12/31/2007. Amounts due to affiliates of \$738,197 at 12/31/2008, and \$3,524,518 at 12/31/2007, are related to amounts owed under the management agreements.

H. Upstream & Downstream Deductions Not Applicable.

I. Investment in an SCA >10% of Admitted Assets Not Applicable.

NOTES TO FINANCIAL STATEMENTS

J. Investments in Impaired SCAs Not Applicable.

K. Investment in a Foreign Subsidiary Not Applicable.

11. DEBT

Not applicable.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Not applicable.

13. CAPITAL AND SURPLUS, SHAREHOLDERS’ DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Not applicable.

14. CONTINGENCIES

A. Contingent Commitments Not Applicable.

B. Assessments Not Applicable.

C. Gain Contingencies Not Applicable.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming From Lawsuits  
Not Applicable.

E. All Other Contingencies Not Applicable.

15. LEASES

A. Lessee Leasing Arrangements Not Applicable.

B. Lessor Leases Not Applicable.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable.

19. DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS

Not applicable.

20. OTHER ITEMS

A. Extraordinary Items Not applicable.

B. Troubled Debt Restructuring Not applicable.

C. Other Disclosures Not applicable.

D. Uncollectible Assets on Uninsured Plans Not applicable.

NOTES TO FINANCIAL STATEMENTS

- E. Business Interruption Insurance Recoveries Not applicable.
- F. State Transferable Tax Credits Not applicable.
- G. Hybrid Securities Not applicable.
- H. Subprime Mortgage Related Risk Exposure Not applicable.

21. EVENTS SUBSEQUENT

Not applicable.

22. REINSURANCE

A. Ceded Reinsurance Report

Section 1 General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Yes ( ) No (x)
- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? Yes ( ) No (x)

Section 2 Ceded Reinsurance Report Part A.

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credit? Yes ( ) No(x).
- (2) Does the company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsured of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes ( ) No (x).

Section 3 Ceded Reinsurance Report Part B.

- (1) What is the estimated amount of the aggregate reduction in surplus, for agreements, not reflected in Section 2 above, of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.00
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement to include policies or contracts which were in force or which had existing reserves established by the company as of the effective date of the agreement? Yes( ) No (x).

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

Not applicable.

NOTES TO FINANCIAL STATEMENTS

24. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Reserves for incurred claims, including accrued medical incentives, attributable to insured events prior to December, 2007 have decreased by \$5,146 from \$5,233 in 2007 to \$88 in 2008. Claim payments accounted for \$4,843 of this change.

25. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

26. STRUCTURED SETTLEMENTS

Not applicable.

27. HEALTH CARE RECEIVABLES (In 000's)

A. Pharmacy Rebates

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2008	61				
9/30/2008	41				
6/30/2008	103				
3/31/2008	80			61	

12/31/2007	107	75	75		
9/30/2007	98	73	73		
6/30/2007	102	91	91		
3/31/2007	102	82		82	

12/31/2006	100	100		100	
9/30/2006	169	124		191	-67
6/30/2006	297	140	149		-9
3/31/2006	179	153	132		

B. Psychotropic Rebates

NOTES TO FINANCIAL STATEMENTS

Quarter	Estimated Psychotropic Rebates as Reported on Financial Statements	Psychotropic Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
---------	--	---	---	--	--

12/31/2008	360	199	199		
9/30/2008	375	363	363		
6/30/2008	394	394	394		
3/31/2008	416	416	416		

12/31/2007	305	355	355		
9/30/2007	304	295	295		
6/30/2007	412	323	169		
3/31/2007	300	338	338		

12/31/2006	274	388	385	2	
9/30/2006	392	322	322		
6/30/2006	231	347	347		
3/31/2006	324	332	332		

C. Risk Share Receivable   None.

28. PARTICIPATING POLICIES

Not applicable.

29. PREMIUM DEFICIENCY RESERVES

Not applicable.

30. ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.



GENERAL INTERROGATORIES  
PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes (X) No ( )
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes (X) No ( ) N/A ( )
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ( ) No (X)
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 3.2

State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2005
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/28/2007
- 3.4

By what department or departments?  
MICHIGAN OFFICE OF FINANCIAL AND INSURANCE REGULATION
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes (X) No ( ) N/A ( )
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes (X) No ( ) N/A ( )
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes ( ) No (X)

4.12

renewals?

Yes ( ) No (X)
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ( ) No (X)

4.22

renewals?

Yes ( ) No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ( ) No (X)
- 5.2

If yes, provide name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ( ) No (X)
- 6.2

If yes, give full information:

.....  
.....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ( ) No (X)
- 7.2

If yes,

7.21

State the percentage of foreign control;

.....%

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....

GENERAL INTERROGATORIES

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ( ) No (X)

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ( ) No (X)

8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

ERNST & YOUNG LLP, SUITE 1000, ONE KENNEDY SQUARE, 777WOODWARD AVENUE, DETROIT, MICHIGAN 48226

10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

GREG HERLE, FSA CONSULTING ACTUARY WITH MILLIMAN: 15800 BLUEMOUND ROAD, SUITE 400, BROOKFIELD, WISCONSIN 53005

11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ( ) No (X)

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$

11.2

If yes, provide explanation

12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2

Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located?

Yes ( ) No ( )

12.3

Have there been any changes made to any of the trust indentures during the year?

Yes ( ) No ( )

12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes ( ) No ( ) N/A (X)

13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes (X) No ( )

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

13.11

If the response to 13.1 is No, please explain:

13.2

Has the code of ethics for senior managers been amended?

Yes ( ) No (X)

13.21

If the response to 13.2 is Yes, provide information related to amendment(s).

13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ( ) No (X)

13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes (X) No ( )

15.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes (X) No ( )

16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes (X) No ( )

GENERAL INTERROGATORIES

FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ( ) No (X)

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11

To directors or other officers

\$ .....

18.12

To stockholders not officers

\$ .....

18.13

Trustees, supreme or grand (Fraternal only)

\$ .....

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21

To directors or other officers

\$ .....

18.22

To stockholders not officers

\$ .....

18.23

Trustees, supreme or grand (Fraternal only)

\$ .....

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ( ) No (X)

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21

Rented from others

\$ .....

19.22

Borrowed from others

\$ .....

19.23

Leased from others

\$ .....

19.24

Other

\$ .....

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ( ) No (X)

20.2

If answer is yes:

20.21

Amount paid as losses or risk adjustment

\$ .....

20.22

Amount paid as expenses

\$ .....

20.23

Other amounts paid

\$ .....

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ( ) No (X)

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ .....

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes (X) No ( )

22.2

If no, give full and complete information relating thereto:

.....

.....

22.3

For the security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

.....

.....

22.4

Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions?

Yes ( ) No (X)

22.5

If answer to 22.4 is YES, report amount of collateral for conforming programs.

\$ .....

22.6

If answer to 22.4 is NO, report amount of collateral for other programs.

\$ .....

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes (X) No ( )

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21

Subject to repurchase agreements

\$ .....

23.22

Subject to reverse repurchase agreements

\$ .....

23.23

Subject to dollar repurchase agreements

\$ .....

23.24

Subject to reverse dollar repurchase agreements

\$ .....

23.25

Pledged as collateral

\$ .....

23.26

Placed under option agreements

\$ .....

23.27

Letter stock or securities restricted as to sale

\$ .....

23.28

On deposit with state or other regulatory body

\$ .....

23.29

Other

\$ ..... 1,156,654

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....
.....	.....	.....

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes ( ) No (X)

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes ( ) No ( ) N/A (X)

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes ( ) No (X)

25.2

If yes, state the amount thereof at December 31 of the current year.

\$ .....

GENERAL INTERROGATORIES

INVESTMENT

26. Excluding items in Schedule E, Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds, and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes (X) No ( )

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
BYN MELLON BANK .....	ONE MELLON CENTER, PITTSBURGH, PA 15259-0001 .....
.....	.....
.....	.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>3</div> <div>Complete Explanation(s)</div>
.....	.....	.....
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes ( ) No (X)

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>3</div> <div>Address</div>
.....	.....	.....
.....	.....	.....
.....	.....	.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes ( ) No (X)

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP#</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....	.....	.....
.....	.....	.....
.....	.....	.....
Line 27.2998 from Overflow page .....	.....	.....
Line 27.2999 TOTAL (9999999) .....	.....	.....

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) , or Fair Value over Statement (+)
28.1 Bonds .....	\$ ..... 7,440,029	\$ ..... 7,440,029	\$ .....
28.2 Preferred stocks .....	\$ .....	\$ .....	\$ .....
28.3 Totals .....	\$ ..... 7,440,029	\$ ..... 7,440,029	\$ .....

28.4 Describe the sources or methods utilized in determining the fair values:  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS ACCOUNTING PRACTICES  
.....

29.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes (X) No ( )

29.2 If no, list exceptions:  
.....  
.....

OTHER

30.1 Amount of payments to Trade Associations, service organizations and statistical or Rating Bureaus, if any? \$ .....

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

31.1 Amount of payments for legal expenses, if any? \$ ..... 2,122

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
FOSTER SWIFT COLLINS AND SMITH .....	\$ ..... 2,122
.....	\$ .....
.....	\$ .....
.....	\$ .....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$ .....
.....	\$ .....
.....	\$ .....
.....	\$ .....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes ( ) No (X)

1.2

If yes, indicate premium earned on U. S. business only.

\$ .....

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....

1.31

Reason for excluding:

.....

.....

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$ .....

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$ .....

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ .....

1.62

Total incurred claims

\$ .....

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

\$ .....

1.65

Total incurred claims

\$ .....

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ .....

1.72

Total incurred claims

\$ .....

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

\$ .....

1.75

Total incurred claims

\$ .....

1.76

Number of covered lives

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ ..... 46,313,585

\$ ..... 41,976,927

2.2

Premium Denominator

\$ ..... 46,313,585

\$ ..... 41,976,927

2.3

Premium Ratio (2.1 / 2.2)

..... 1.000

..... 1.000

2.4

Reserve Numerator

\$ ..... 4,158,032

\$ ..... 5,399,230

2.5

Reserve Denominator

\$ ..... 4,158,032

\$ ..... 5,399,230

2.6

Reserve Ratio (2.4 / 2.5)

..... 1.000

..... 1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes ( ) No (X)

3.2

If yes, give particulars:

.....

.....

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes (X) No ( )

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes ( ) No (X)

5.1

Does the reporting entity have stop-loss reinsurance?

Yes (X) No ( )

5.2

If no, explain:

.....

.....

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ ..... 255,000

5.32

Medical Only

\$ .....

5.33

Medicare Supplement

\$ .....

5.34

Dental & Vision

\$ .....

5.35

Other Limited Benefit Plan

\$ .....

5.36

Other

\$ .....

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HOLD HARMLESS PROVISION IN PROVIDER CONTRACTS

STAE REQUIRED RESERVE & INSOLVENCY CLAUSE IN REINSURANCE CONTRACT

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes (X) No ( )

7.2

If no, give details:

.....

.....

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

..... 971

8.2

Number of providers at end of reporting year

..... 1,011

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes ( ) No (X)

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

.....

9.22

Business with rate guarantees over 36 months

.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold, or Bonus Arrangements in its provider contracts? Yes (X) No ( )

10.2 If yes:

10.21	Maximum amount payable bonuses	\$	79,362
10.22	Amount actually paid for year bonuses	\$	79,362
10.23	Maximum amount payable withholds	\$	137,001
10.24	Amount actually paid for year withholds	\$	137,001

11.1 Is the reporting entity organized as:

11.12	A Medical Group / Staff Model,	Yes ( ) No (X)
11.13	An Individual Practice Association (IPA), or	Yes (X) No ( )
11.14	A Mixed Model (combination of above)?	Yes ( ) No (X)

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes (X) No ( )

11.3 If yes, show the name of the state requiring such net worth. Michigan

11.4 If yes, show the amount required. \$ 3,989,132

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes ( ) No (X)

11.6 If the amount is calculated, show the calculation

.....

.....

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
COUNTIES OF: CLINTON, EATON, INGHAM,
IONIA, MONTCALM, SHIAWASSEE
.....

GENERAL INTERROGATORIES - Line 12 (continued)

1	
Name of Service Area	
Name of Service Area	
CLINTON COUNTY	
EATON COUNTY	
INGHAM COUNTY	
IONIA COUNTY	
MONTCALM COUNTY	
SHIAWASSEE COUNTY	
- Name of Service Area	



FIVE - YEAR HISTORICAL DATA

	1	2	3	4	5
	2008	2007	2006	2005	2004
BALANCE SHEET (Page 2 and Page 3)					
1. Total admitted assets (Page 2, Line 26)	11,362,794	16,475,550	13,298,294	11,584,477	10,824,780
2. Total liabilities (Page 3, Line 22)	5,496,576	9,829,244	7,193,873	5,855,080	4,577,174
3. Statutory surplus	3,989,132	1,686,911	3,574,042	3,674,906	3,424,330
4. Total capital and surplus (Page 3, Line 31)	5,866,218	6,646,306	6,104,421	5,729,397	6,247,606
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	43,721,214	39,347,781	33,540,596	35,271,211	33,023,180
6. Total medical and hospital expenses (Line 18)	39,644,280	35,460,380	30,918,281	31,433,151	29,302,655
7. Claims adjustment expenses (Line 20)	1,103,364	1,004,490	1,051,638	1,193,201	1,482,896
8. Total administrative expenses (Line 21)	3,156,728	2,873,851	2,697,958	2,885,798	2,630,490
9. Net underwriting gain (loss) (Line 24)	(183,158)	9,060	(598,586)	(769,634)	(392,861)
10. Net investment gain (loss) (Line 27)	167,040	534,854	516,146	360,976	60,011
11. Total other income (Line 28 plus Line 29)			441,186		
12. Net income or (loss) (Line 32)	(16,118)	543,914	358,746	(408,658)	(332,850)
CASH FLOW (Page 6)					
13. Net cash from operations (Line 11)	(2,210,211)	1,196,550	966,322	703,976	(1,382,093)
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	5,866,218	6,646,306	6,104,421	5,729,397	6,247,606
15. Authorized control level risk-based capital	1,994,566	1,867,447	2,087,169	1,837,453	1,712,165
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	16,534	16,238	16,515	20,277	17,939
17. Total members months (Column 6, Line 7)	197,318	200,397	212,075	236,680	204,888
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, Line 3, and Line 5) X 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Line 3 plus Line 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	85.6	84.5	86.5	83.9	83.5
20. Cost containment expenses	1.6	0.2	0.1	0.1	0.1
21. Other claims adjustment expenses	0.8	2.2	2.8	3.1	4.2
22. Total underwriting deductions (Line 23)	94.8	93.7	95.5	96.2	95.3
23. Total underwriting gain (loss) (Line 24)	(0.4)		(1.7)	(2.1)	(1.1)
UNPAID CLAIMS ANALYSIS (U and I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	4,930,263	5,219,250	4,030,512	2,747,351	1,776,826
25. Estimated liability of unpaid claims of prior year (Line 13, Column 6)	5,219,250	5,260,053	5,436,122	3,171,507	2,764,184
INVESTMENTS IN PARENT, SUBSIDIARIES, AND AFFILIATES					
26. Affiliated bonds (Schedule D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Schedule D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Schedule D Summary, Line 53, Column 2)					
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Line 26 to Line 31					

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1		Direct Business Only Year to Date							
	Active Status		2	3	4	5	6	7	8	9
			Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Column 2 Through Column 7	Deposit-Type Contracts
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	N								
4. Arkansas	AR	N								
5. California	CA	N								
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	L			46,548,611				46,548,611	
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X								
59. Subtotal		X X X			46,548,611				46,548,611	
60. Reporting entity contributions for Employee Benefit Plans		X X X								
61. Total (Direct Business)	(a)	1			46,548,611				46,548,611	

DETAILS OF WRITE-INS										
5801.										
5802.										
5803.										
5898.	Summary of remaining write-ins for Line 58 from overflow page									
5899.	Total (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)									

Explanation of basis of allocation by states, premiums by state, etc.

ALL PREMIUMS WRITTEN WITHIN THE STATE OF MICHIGAN

(a) Insert the number of "L" responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE PHYSICIANS HEALTH PLAN OF MID-MICHIGAN FAMILYCARE  
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

SPARROW HEALTH SYSTEM

CORPORATE ORGANIZATION CHART

1 NAIC Group Code	2 Group Name	3 NAIC Company Code	4 State of Domicile	5 FEI Number	6 Name of Company
3408	SPARROW HEALTH SYSTEM		MI		SPARROW WOMEN'S HOSPITAL ASSOCIATION
3408	SPARROW HEALTH SYSTEM		MI	381360584	E.W. SPARROW HOSPITAL ASSOCIATION
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		MID-MICHIGAN MRI, INC
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		SPARROW PHYSICIANS HEALTH NETWORK
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		GRADUATE MEDICAL EDUCATION, INC
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		PREMIER
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		CAYMICH INSURANCE CO, LTD
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		FINCOR HOLDINGS, INC
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		NORTH GRAND RIVER COOPERATIVE
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		LANSING MEDICAL DENTAL BUILDING
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		MEDICAL CENTER WEST CONDO ASSOCIATION
3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		IONIA COUNTY MEMORIAL HOSPITAL
3408	SPARROW HEALTH SYSTEM		MI	381358172	CLINTON MEMORIAL HOSPITAL
3408	SPARROW HEALTH SYSTEM		MI	386100687	SPARROW FOUNDATION
3408	SPARROW HEALTH SYSTEM	95849	MI	382356288	PHYSICIAN HEALTH PLAN OF MID-MICHIGAN
3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN		MI	383361367	PHYSICIAN HEALTH PLAN SHARED SVCS ORG
3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN		MI	382594856	PHPMM TPA
3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	11537	MI	364497604	PHPMM FAMILYCARE
3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	12916	MI	205565219	PHPMM INSURANCE COMPANY
3408	SPARROW HEALTH SYSTEM		MI	382543305	SPARROW HOME CARE
3408	SPARROW HEALTH SYSTEM		MI	382594856	PHYSICIANS HEALTH NETWORK
3408	SPARROW HEALTH SYSTEM		MI	382595963	SPARROW DEVELOPMENT, INC
3408	SPARROW DEVELOPMENT, INC		MI		PHARMACY PLUS
3408	SPARROW DEVELOPMENT, INC		MI		ST LAWRENCE OR MGT CO, LLC
3408	SPARROW DEVELOPMENT, INC		MI		MICHIGAN ATHLETIC CLUB
3408	SPARROW DEVELOPMENT, INC		MI		SPARROW PRACTICE MGT COMPANY
3408	SPARROW DEVELOPMENT, INC		MI		SPARROW REGIONAL MEDICAL SUPPLY
3408	SPARROW HEALTH SYSTEM		MI		CARSON CITY HOSPITAL
3408	SPARROW HEALTH SYSTEM		MI		SPARROW SPECIALTY HOSPITAL

Health

Annual Statement Blank Alphabetical Index

Analysis of Operations By Lines of Business . . . . .	7	Schedule DB - Part E - Verification . . . . .	SI13
Assets . . . . .	2	Schedule DB - Part F - Section 1 . . . . .	SI14
Cash Flow . . . . .	6	Schedule DB - Part F - Section 2 . . . . .	SI15
Exhibit 1 - Enrollment By Product Type for Health Business Only . . . . .	17	Schedule E - Part 1 - Cash . . . . .	E25
Exhibit 2 - Accident and Health Premiums Due and Unpaid . . . . .	18	Schedule E - Part 2 - Cash Equivalents . . . . .	E26
Exhibit 3 - Health Care Receivables . . . . .	19	Schedule E - Part 3 - Special Deposits . . . . .	E27
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus . . . . .	20	Schedule E - Verification Between Years . . . . .	E27
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates . . . . .	21	Schedule S - Part 1 - Section 2 . . . . .	30
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates . . . . .	22	Schedule S - Part 2 . . . . .	31
Exhibit 7 - Part 1 - Summary of Transactions With Providers . . . . .	23	Schedule S - Part 3 - Section 2 . . . . .	32
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries . . . . .	23	Schedule S - Part 4 . . . . .	33
Exhibit 8 - Furniture, Equipment and Supplies Owned . . . . .	24	Schedule S - Part 5 . . . . .	34
Exhibit of Capital Gains (Losses) . . . . .	15	Schedule S - Part 6 . . . . .	35
Exhibit of Net Investment Income . . . . .	15	Schedule T - Part 2 - Interstate Compact . . . . .	37
Exhibit of Nonadmitted Assets . . . . .	16	Schedule T - Premiums and Other Considerations . . . . .	36
Exhibit of Premiums, Enrollment and Utilization (State Page) . . . . .	29	Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group . . . . .	38
Five-Year Historical Data . . . . .	28	Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates . . . . .	39
General Interrogatories . . . . .	26	Statement of Revenue and Expenses . . . . .	4
Jurat Page . . . . .	1	Summary Investment Schedule . . . . .	SI01
Liabilities, Capital and Surplus . . . . .	3	Supplemental Exhibits and Schedules Interrogatories . . . . .	40
Notes To Financial Statements . . . . .	25	Underwriting and Investment Exhibit - Part 1 . . . . .	8
Overflow Page For Write-ins . . . . .	41	Underwriting and Investment Exhibit - Part 2 . . . . .	9
Schedule A - Part 1 . . . . .	E01	Underwriting and Investment Exhibit - Part 2A . . . . .	10
Schedule A - Part 2 . . . . .	E02	Underwriting and Investment Exhibit - Part 2B . . . . .	11
Schedule A - Part 3 . . . . .	E03	Underwriting and Investment Exhibit - Part 2C . . . . .	12
Schedule A - Verification Between Years . . . . .	SI02	Underwriting and Investment Exhibit - Part 2D . . . . .	13
Schedule B - Part 1 . . . . .	E04	Underwriting and Investment Exhibit - Part 3 . . . . .	14
Schedule B - Part 2 . . . . .	E05		
Schedule B - Part 3 . . . . .	E06		
Schedule B - Verification Between Years . . . . .	SI02		
Schedule BA - Part 1 . . . . .	E07		
Schedule BA - Part 2 . . . . .	E08		
Schedule BA - Part 3 . . . . .	E09		
Schedule BA - Verification Between Years . . . . .	SI03		
Schedule D - Part 1 . . . . .	E10		
Schedule D - Part 1A - Section 1 . . . . .	SI05		
Schedule D - Part 1A - Section 2 . . . . .	SI08		
Schedule D - Part 2 - Section 1 . . . . .	E11		
Schedule D - Part 2 - Section 2 . . . . .	E12		
Schedule D - Part 3 . . . . .	E13		
Schedule D - Part 4 . . . . .	E14		
Schedule D - Part 5 . . . . .	E15		
Schedule D - Part 6 - Section 1 . . . . .	E16		
Schedule D - Part 6 - Section 2 . . . . .	E16		
Schedule D - Summary by Country . . . . .	SI04		
Schedule D - Verification Between Years . . . . .	SI03		
Schedule DA - Part 1 . . . . .	E17		
Schedule DA - Verification Between Years . . . . .	SI11		
Schedule DB - Part A - Section 1 . . . . .	E18		
Schedule DB - Part A - Section 2 . . . . .	E18		
Schedule DB - Part A - Section 3 . . . . .	E19		
Schedule DB - Part A - Verification Between Years . . . . .	SI12		
Schedule DB - Part B - Section 1 . . . . .	E19		
Schedule DB - Part B - Section 2 . . . . .	E20		
Schedule DB - Part B - Section 3 . . . . .	E20		
Schedule DB - Part B - Verification Between Years . . . . .	SI12		
Schedule DB - Part C - Section 1 . . . . .	E21		
Schedule DB - Part C - Section 2 . . . . .	E21		
Schedule DB - Part C - Section 3 . . . . .	E22		
Schedule DB - Part C - Verification Between Years . . . . .	SI13		
Schedule DB - Part D - Section 1 . . . . .	E22		
Schedule DB - Part D - Section 2 . . . . .	E23		
Schedule DB - Part D - Section 3 . . . . .	E23		
Schedule DB - Part D - Verification Between Years . . . . .	SI13		
Schedule DB - Part E - Section 1 . . . . .	E24		